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ALBERTIS S. HARRISON, JR.
GOVERNOR

COMMONWEALTH OF VIRGINIA
GOVERNOR'S OFFICE
RICHMOND

Seen by LKst

February 1, 1963

Accounting 9

The Honorable John A. McCone
Director
Central Intelligence Agency
Washington 25, D. C.

Dear Mr. McCone:

Your letter of January thirtieth deals basically with the same question raised only recently by the Deputy Secretary of Defense, The Honorable Roswell Gilpatric.

I have discussed this matter with the Virginia State Tax Commissioner, Mr. C.H. Morrisett, who summarizes the problem in the enclosed memorandum addressed to me under date of January twenty-eighth.

I am transmitting Mr. Morrisett's views so that you may have the benefit of this information prior to the suggested conference. I am advising the Tax Commissioner of our correspondence and I know he will be glad to join in a conference with you for further discussion of the matter at a mutually agreeable time.

Mr. Morrisett met last summer in Washington with tax authorities of Maryland and the District of Columbia, on the initiative of the Finance Officer of the District and it was the consensus of that meeting that it would be desirable to have an amendment to the federal law relating to withholding taxes for the states and the District of Columbia.



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Mr. McCone

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February 1, 1963

The Commonwealth of Virginia is keenly aware of the benefits accruing by reason of the various federal installations in Virginia and the suggestion which Mr. Morrisett has outlined is offered in the hope that it might be found mutually advantageous.

With kind regards, I am

Sincerely yours,

A. S. Harrison, Jr.

aml
Enclosure
cc: Mr. Morrisett

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**Honorable Albertis S. Harrison
Governor of the Commonwealth
of Virginia
Richmond, Virginia**

Dear Governor Harrison:

As I am sure you know, under the new Virginia income tax law, persons who work in Virginia but live elsewhere are now taxed in Virginia. This of course includes a sizeable number of employees of this Agency working in Langley but residing in the District of Columbia or Maryland. Also, the tax rate in Virginia, beginning at a relatively low income level, is higher than those of the District of Columbia and Maryland. Among employees of this Agency there is a considerable resentment, not only because the Virginia tax will increase their tax load, but also from a feeling that because they work in a Federal building and commute almost entirely over Federal highways and bridges the tax is unfair. The result is to cause a serious morale problem among our employees which I believe is having an adverse effect on, among other things, the ability of this Agency to recruit and retain qualified employees.

It of course is for the Virginia authorities to determine the sources of revenue which it will seek to reach. However, the mere presence in Virginia of installations of the size of the Central Intelligence Agency Headquarters and the Pentagon surely represents a considerable benefit to Virginia revenues. For example, in 1955, before the Central Intelligence Agency Headquarters building in Langley existed or had been decided upon, 31.8 per cent of Central Intelligence Agency employees resided in the Virginia areas adjacent to Washington. With our new building under way and now completed and occupied, this figure climbed to 43.4 per cent by February, 1961, and to 53.4 per cent by June, 1962. I would wonder whether Virginia's

interests also would not be served by tax policies encouraging and welcoming such installations. Also, it may well be that a realistic estimate of the revenues actually collectible under the nonresident tax, measured against the cost in money and otherwise, would seriously question the utility and value of that feature of the tax law.

I am sure you are aware also that the Maryland tax law has a formula which exempts from the Maryland nonresident tax law in certain circumstances persons who commute to work in Maryland from a state which does not tax Marylanders who commute to work in that state. It may well be that now that Virginia no longer exempts Marylanders who commute to Virginia, the Maryland exemption will no longer relieve Virginia commuters. If this is correct, the effect of the new Virginia legislation will be to tax Virginians in Maryland.

It seems appropriate to note also that the Central Intelligence Agency move to Langley was a major influence in speeding up the construction of the George Washington Memorial Parkway and other Federal highway and bridge facilities in the Virginia area of Metropolitan Washington.

For this Agency the nonresident tax raises special security problems inherent in the necessity that the employment or association of certain personnel with this Agency not be known to others. We would be glad to send a representative to Richmond to discuss this problem with appropriate Virginia officials.

My purpose here is to bring these problems and objectionable features to your attention with the hope that you and the General Assembly will see fit to modify the Virginia law as may be necessary to remove this burden on commuters and on this Agency as an employer. Specifically, it is requested that Virginia exempt from the Virginia income tax law persons who work in Virginia but commute to work from elsewhere.

cc: Leonard Niederlehner
Deputy General Counsel
Office of the Secretary of
Defense

Sincerely,

15/
John A. McCone
Director

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